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SECRET.

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LANDING RIGHTS &c. FOR SUBMARINE CABLES.

Note by the Secretary.

I forward herewith a copy of a Report of the Cables (Landing Rights) Committee respecting the conditions of the renewal of Cable Companies' Licenses in 1920.

In transmitting the Report the Board of Trade inform me that they have not yet fully considered the Report and that should they desire to offer any observations upon the recommendations of the Committee they will do so in a later communication.

(Sd.) M.P.A.HANKEY.

2 Whitehall Gardens, S.W.,
August 3rd, 1918.

Confidential.

Serial No. 226.



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COMMITTEE ON LANDING RIGHTS FOR SUBMARINE CABLES.

REPORT ON CONDITIONS OF RENEWAL OF CABLE
COMPANIES' LICENCES IN 1920.

Meetings of 10th, 14th and 30th May, and 7th June 1918.
Report of 17th June 1918.

REPORT ON CONDITIONS OF RENEWAL OF CABLE COMPANIES' LICENCES IN 1920.

TO THE PRESIDENT OF THE BOARD OF TRADE,

The Cables (Landing Rights) Committee have the honour to present the following Report:—

(1) Meetings of the Committee were held on the 10th, 14th, and 30th May and the 7th June 1918. Mr. Wardle presided, and there were also present:—

Mr. Barker (India Office),
Mr. Brown (Post Office),
Mr. Butler (Foreign Office),
General Cockerill (War Office),
Mr. Johnson (Colonial Office),
Commander Robinson (Admiralty),
Mr. Roper (Board of Trade),
Mr. Wilkins (Treasury),
and
Mr. Phillips (Secretary).

Mr. Grindle, of the Colonial Office, also attended the meetings.

(2) The Committee considered the question whether the cable landing licences referred to in the enclosed memorandum (Annexe A) should be renewed, and if so, on what conditions.

Opportunity for Review of Cable Policy.

(3) The occasion was regarded as of special importance because the Government have for some years past, on the Committee's recommendation, consistently adopted the policy of making cable landing licences terminable at the end of 1919, or early in 1920, in order to admit of a comprehensive review of the general policy of the Government in connection with cables. As shown by the list in Annexe D, the licences for all privately-owned cables landed in this country, with the exception of those for the Great Northern Telegraph Company's cables to Northern Europe, expire at the end of 1919 or early in 1920.

(4) Similarly, provision has been made for reviewing at the same time the licences for long-distance wireless communication. The only licences for wireless services from this country which have been given or promised are those shown below, the licensees being in all cases the Marconi Company:—

- (a) Licence for a service established in 1908 (but suspended by the Government since August 1917) between Clifden (County Galway) and Glace Bay (Nova Scotia). Term expires on 11th August 1919.
- (b) Licence promised in 1914 (but not yet issued) for a service between Carnarvon and a station in the United States for a term of 20 years, with a right of expropriation on favourable terms to the Government at any time after 11th August 1919.
- (c) Licence promised in 1914 (but not yet issued) for a service between a station in this country and a station in the Argentine for a similar term and on similar conditions to those in (b).
- (d) Licence for a service between Poldhu (Cornwall) and a station in Spain (terminable on the 31st December 1914 or at any earlier date on one month's notice). The service had not been established when war broke out, and the licence was not renewed after its termination on the 31st December 1914.

Competition of other Forms of Communication.

(5) The Committee considered at the outset whether there was any likelihood that the rapid progress of wireless telegraphy would cause cables to be superseded in the near future. The representatives of the War Office and Admiralty explained that, on the contrary, experience during the present war had shown that, apart from the fact that a wireless service cannot carry a large volume of traffic such as is carried by a cable, it was essential to maintain the cables on strategic grounds, owing to their greater secrecy. Time would show whether wireless telegraphy and cables would each find their appropriate sphere, as had happened in the case of gas and electricity, or whether it would be necessary to prevent the cables being undercut commercially by wireless, just as it had in the past been the general policy of the Government not to allow them to be driven out of the field by land lines. Mr. Brown expressed some doubt as to the extent to which wireless telegraphy would in practice be able to compete for commercial work.

(6) *General Cockerill*, however, pointed out that the situation might be entirely changed by the advent of the aeroplane mail service, which would be a serious competitor with the cables for traffic with continental, or even trans-Atlantic countries, which was not of the first order of urgency.

(7) The Committee then considered the form in which their views should be submitted to the Government. They decided to append to their Report a memorandum* (Annexe A), setting out the situation as a whole.

State Ownership.

(8) The general arguments for and against State ownership are set out in paragraph 10 of Annexe A. But unless the Government desired as a matter of policy to make a radical change in existing arrangements, the question in its general aspect appeared to be mainly academic, and the only practical point which arose was as to whether one or more of the Atlantic Cables should be all-British and State-owned.

(9) It appeared on general grounds anomalous that, of the fourteen cables connecting the United Kingdom with North America, none should at present be worked by British companies, and only one—the German cable which had been diverted during the war to Penzance and Halifax—by the British Government. A considerable feeling in favour of a State-owned Atlantic cable was understood to exist in the Dominions and might be expected to increase. In these circumstances the Committee were of opinion—

- (a) that, assuming the ex-German trans-Atlantic cable not to be returned at the end of the war, it should be worked direct by the State (*i.e.*, by the British Government; by the British and Canadian Governments jointly; or by the Pacific Cable Board, as representing these and the Australasian Governments) and not leased to a company;
- (b) that, in this event, it should be a definite condition of the renewal of landing licences to the trans-Atlantic companies that, during any interruption of the Government cable, they should carry over their lines, on reasonable terms, traffic normally forwarded by the Government cable;
- (c) that possibly the laying of a second Government cable might prove desirable in course of time.

(10) If, on the other hand, it were arranged as part of the Peace settlement that the German cable should be returned, the case for laying a new Government cable to Canada or Newfoundland would become stronger. No precise financial estimate could be framed during the war, but the best forecast which the Post Office could frame was as follows:—

	£
Capital Cost, say - - - - -	650,000
Annual Cost—	
Operating - - - - -	25,000
Maintenance - - - - -	15,000
Interest (at 5 per cent.) - - - - -	32,500
Sinking Fund (to produce 650,000 <i>l.</i> in 40 years at 5 per cent. compound interest) - - - - -	5,000
	<u>£77,500</u>

Annual Revenue.—The revenue of the Imperial cable, while working, has been at the rate of about 110,000*l.* a year, but the traffic at present is abnormally large. Allowing on the one hand for altered conditions after the war, and for loss of revenue during periods of interruption, and on the other hand for the fact that the unordered traffic referred to in paragraph (12) would be available after January 1920, the annual revenue may perhaps be placed at 90,000*l.* The position would thus be as follows:—

	£
Annual Revenue - - - - -	90,000
Annual Cost - - - - -	<u>77,500</u>
Annual Profit - - - - -	£12,500

The revenue might, of course, be expected to grow with the normal growth of traffic.

Mr. Wilkins pointed out that there would be a large number of competing claims for capital expenditure after the war.

(11) A possible alternative would be the purchase of an existing cable, but there seemed to be no special reason to think that either of the American companies would sell one of their cables on terms which would render this course advantageous to the Government.

Conditions of Licences.

(12) *Unordered traffic.*—In discussing paragraphs 7 and 28 of Annexe A, the Committee agreed that, generally speaking, it should be the settled policy of the Government to keep its

**Note.*—The draft memorandum had been prepared by the Post Office, and was revised and modified on certain points so as to meet the views of the Committee.

hands absolutely free with regard to the disposal of unordered traffic, *i.e.*, traffic handed in at Post Offices without any indication of the particular route to be followed. Mr. Brown said that the gross value of the unordered traffic for North America is at present nearly 100,000*l.* a year, and the cable revenue on such traffic, after deducting out-payments, would be about 75,000*l.* or 80,000*l.* a year, of which probably about 30,000*l.* would be in respect of traffic for Canada. Such traffic might be used as a whole after January 1920 for feeding the Government cable, or possibly an arrangement might be come to by negotiation with the companies under which, in return for the Post Office handing them unordered traffic for the United States, they would undertake to hand to the Post Office either the whole or part of the traffic handed to them for transmission to Canada.

(13) *Term of Licences.*—The Committee were of opinion that landing licences to the various companies should be so arranged that they should terminate simultaneously, and that opportunities for a comprehensive review of the Government's cable policy should arise at suitable intervals. As a rule, extensions of concessions should be for a period of seven years, or, in exceptional cases, if a longer period seemed justified, 14.

(14) *Control of Rates.*—Even if the term of licences were arranged so as to ensure revision at frequent intervals, the Committee thought that it would be well to maintain the existing Control of Rates clause and to make its insertion a *sine quâ non* in granting a licence. Rates could then be reduced in two ways, *viz.*, (a) by bargaining on behalf of the Government just before licences were issued, (b) by proceedings (at any time) before the Railway and Canal Commission.

(15) This being so, the Committee did not think it necessary to press for the extension of the sliding scale arrangement (*see* paragraphs 14 and 15 of Annexe A) to cases where it did not already apply, or where its application had come to an end owing to the minimum rates having been reached.

(16) The Committee considered it desirable, subject to the concurrence of the legal advisers of the Board of Trade and Post Office, that a reference should be inserted in the Control of Rates clause to the provision of specially low rates for non-urgent traffic carried at periods of the day, night, or week when the cables would not otherwise be fully occupied.

(17) *Reduction of Rates.*—The Committee considered that an endeavour should be made to secure a general reduction of rates in connection with the renewal of licences in 1920 (notwithstanding the fact that the fall in the purchasing power of the sovereign had already involved a decrease in the real rates as measured in terms of commodities). *Prima facie* the reduction of 15 or 20 per cent. mentioned in paragraph 19 of Annexe A might be regarded as a normal standard, but the Post Office, to whom the negotiations with the cable companies should be entrusted, would no doubt have to consider each case in detail, in the light of the reasonableness of the existing rates, and the dividends declared and sums carried to reserve by the respective companies. It would also be desirable to secure, as a condition of the new licences, the right to send Government telegrams by the deferred or week-end services at half the rates charged to the public for those services, as suggested in paragraph 20 of Annexe A. The Associated Companies might be dealt with as one group, any necessary adjustment as between the richer companies and the poorer being left to them to effect.

(18) In connection with the renewal of the licences of the Associated Companies, the Committee considered it desirable, as suggested in paragraphs 36 and 37 of Annexe A, to regularise the position in regard to certain of their cables which have been landed in British Possessions and in Egypt either without any formal licence or under licences specifying no date of termination.

(19) Having regard particularly to representations placed before them by the Pacific Cable Board, the Committee thought that the Atlantic Companies should be pressed to make the following concessions:—

- (a) Observance of International Regulations as regards their trans-Atlantic services generally, and in particular as regards traffic exchanged with Canada and with the Pacific Cable.
- (b) Acceptance at their offices in North America of telegrams routed by the senders for transmission by the Government cable, no charge being made for the route indication.
- (c) Transmission over their land lines in North America of telegrams for or from the Government cable on equal terms in regard to rates, priority, &c., with telegrams dealt with for allied or subsidiary cable companies.
- (d) Grant of similar facilities for the traffic of any British company which is licensed to carry on a trans-Atlantic telegraph service.
- (e) Introduction by Commercial Cable Company of night and week-end letter service between this country and all parts of Canada and the United States.

These concessions, of which (a), (b) and (c) are specially important from the point of view of the Government cables, are discussed more fully in paragraphs 24 to 27 of Annexe A. Care should be taken that any special privileges already given by the Atlantic Companies to the Pacific Cable Board as regards rates or other matters are not withdrawn as a consequence of the companies being pressed to grant these concessions, or as a consequence of the institution of Government competition for Canadian and Australasian traffic.

(20) It seemed to the Committee unnecessary to make special provision in landing licences for the purchase of cables (whether on "tramway terms" or otherwise).

(21) The Committee's principal recommendations may be summarised as follows:—

- (1) That the ex-German Atlantic Cable, assuming its retention after the war, should continue to be worked as a Government cable.
- (2) That if that cable should have to be given up, a stronger case would exist for the laying of a new Atlantic cable by the Government.
- (3) That in either case the laying of a second Government Atlantic cable might prove desirable in course of time.
- (4) That in the case of the cable companies whose licences expire at the end of 1919 or early in 1920, the Post Office should negotiate new licences, and should endeavour to secure reductions representing an all-round reduction of about 15 or 20 per cent. on existing rates.
- (5) That the insertion of the "Control of Rates" clause in the new licences should be insisted on.
- (6) That the new licences should be issued for a term of seven years, or, in exceptional cases, 14 years, the periods for any licences issued after 1920 being arranged so as to secure the simultaneous expiration of licences.
- (7) That the Western Union and Commercial Cable Companies should be required to observe the International Regulations, especially as regards traffic exchanged with Canada and with the Pacific Cable Board, and should be called upon to give suitable facilities (a) for carrying the Government Atlantic cable traffic during any interruption of the Government cable; and (b) for the collection, transmission and delivery in North America of traffic for or from the Government cable.

(Signed) G. J. WARDLE (*Chairman*).
 R. C. BARKER.
 F. J. BROWN.
 F. G. A. BUTLER.
 GEORGE COCKERILL.
 G. W. JOHNSON.
 L. ROBINSON.
 GARNHAM ROPER.
 ROLAND WILKINS.

F. W. PHILLIPS (*Secretary*),
 17th June 1918.

ANNEXE A.

MEMORANDUM.

(1) As shown in the annexed statement (marked D), all licences issued or promised to cable companies in respect of cables landed in this country will expire at the end of 1919 or early in 1920, with the exception of those of the Great Northern Telegraph Company, which extend until the 31st December 1924, or in certain circumstances until 1930. Many of the licences of the Eastern and its associated companies for cables landed in British Possessions will also expire at the end of 1919 (*see* annexed statement E).

(2) The conditions of renewal of the various licences call for full consideration by the Government Departments concerned, and may involve protracted negotiations with the companies. The simultaneous expiration of so many licences affords an exceptional opportunity to review the general policy of the Government in regard to cables.

GOVERNMENT CONTROL OVER CABLE COMPANIES.

(3) Broadly speaking, there are two means by which the Government can exercise control over cable companies, firstly, in connection with landing licences, without which no cables may be landed in this country, and secondly, in connection with agreements for land lines and other Post Office facilities.

(4) It has been the traditional policy of this country to encourage the landing of cables in the United Kingdom, and the conditions hitherto inserted in landing licences and land line agreements have not been of an onerous character. The question whether certain of these conditions should be modified is discussed below. Memoranda on the development of submarine cables and on the practice in other countries in regard to cable landing licences are appended (*see* Annexes B and C).

STATE OWNERSHIP OF CABLES.

(5) *Cables to European Countries.*—It has for many years been the policy of the Government to provide and work most of the short distance continental cables in conjunction with the foreign administrations concerned—France, Belgium, Holland, Germany, and (more recently) Norway—and to leave the provision and working of long distance cables to private companies.

(6) The question of taking over the cable services to Denmark, Sweden and Russia (*via* Sweden), in conjunction with the administrations of those countries, will be fully considered when the Great Northern Company's licences are approaching expiration.

(7) The Peterhead-Alexandrovsk Cable, which is the joint property of the British and Russian Administrations, was laid for strategic purposes in January 1915, and has been successfully worked since. In 1917 the British Government laid a cable between Alexandrovsk and Murmansk for the Russian Government, and a cable between Murmansk and Archangel on the joint account of the British and Russian Governments. The Peterhead-Alexandrovsk has until recently been fully occupied with Government traffic; but at the end of the war, when the amount of Government traffic is reduced to normal proportions, there may be some difficulty in securing a full load for the cable, in view of the obligation, under an agreement with the Great Northern Company, to hand that company all traffic for places in Russia north of the 54th degree of latitude, unless specially ordered by the senders for transmission by another route.

(8) There is at present a Government Service to Spain and Portugal by way of the Anglo-French cables and the French land lines, and it is doubtful whether the acquisition or laying of direct Government cables would be justified. The direct cables of the Eastern and Direct Spanish Companies serve not only for traffic between this country and the Spanish Peninsula, but also as links in the Eastern system of cables to the Mediterranean and the East.

(9) *Extra-European Cables.*—Until recently the only Extra-European long distance Government cable was the Pacific Cable, connecting Canada with Australia, which was established in 1902, with a branch from Norfolk Island to New Zealand, a further cable between Sydney and New Zealand being laid in 1912. In 1915 a Government cable was laid for war purposes between Montevideo and the Falkland Islands, and has since been worked by the Western Telegraph Company on behalf of the Government. A Government Atlantic cable has now been provided *via* the Azores, mainly through the diversion of one of the German cables, and was opened for traffic on the 18th July last. It is used principally for Canadian and West Indian Government traffic and for Government and general Australasian traffic sent by the Pacific route. The Pacific Cable Board have made arrangements for the leasing from the Canadian Pacific Railway Company (under a 10 years' lease, with provision for termination

at the end of five years) of a land line between Halifax and Montreal, where connection is made with the Board's existing line from Montreal to Bamfield on the Pacific coast. The cable will, it is presumed, continue to be worked as a Government cable after the war; but even if it should be found necessary, under the Peace settlement, to give up the cable, it would probably be considered advisable to establish a new Government Atlantic cable, in view of the provision made for carrying on the service, the success which it promises, and the importance attached, especially in Canada and Australasia, to the provision of an all British route to those countries.

(10) *Arguments for and against State ownership.*—The principal arguments for and against the State ownership of long distance cables may be summarised as follows:—

For.

- (i) Cable services are in the nature of a monopoly or partial monopoly, seeing that when once established on a route, the establishment of competitive cables is usually difficult and risky. There are disadvantages in allowing a service which is necessary to the public to be a private monopoly. Kindred services, such as the Inland and Foreign Post, and Inland and Foreign Telephone Service, and the Inland Telegraph Service, are Government monopolies.
- (ii) The Government could obtain capital at an appreciably lower rate than a company could, and the charge for interest, which forms a considerable part of the annual cost of a cable service, would thus be appreciably lower.
- (iii) Most cable companies have made large profits and have paid good dividends, besides accumulating large reserves. If the Government owned all the cables to British Possessions they would be in a position—if such a policy were considered desirable—to use the profits earned on the more remunerative routes in order to effect reduction of rates on routes which were less remunerative.
- (iv) It is difficult to control cable companies' rates effectively. Companies may manipulate their finances in such a way as to disguise excessive profits, e.g., by watering their capital, by establishing subsidiary companies which may serve as "reservoirs" for the profits of the principal company, or by placing larger sums to reserve than are really necessary.
- (v) The Inland Telegraph Service being in the hands of the State, the Foreign Service might be provided for the State more cheaply and satisfactorily than by private companies. The Post Office has excellent facilities for collection and delivery; and the partial duplication of those services by cable companies might be avoided. The exchange of traffic between Inland and Foreign circuits might be facilitated if the State owned both; and there should be a saving in establishment charges, Directors' fees, &c., in placing the Inland and Foreign Services under the same control. The Post Office already owns and works many short distance cables; it does a considerable amount of cable repairing work; and additional work of the kind might be performed more economically than by separate bodies.
- (vi) The establishment of Government cable services connecting the United Kingdom with British Possessions might in some circumstances tend to strengthen Imperial ties, though in other circumstances disagreements as to reduction of rates might have the opposite effect.

Against.

- (a) With regard to cables touching foreign territory, where the Government concerned is not in a position to enter into arrangements for joint Government ownership and working, it has been the experience of the past that a British company is more likely to obtain concessions than the British Government. Many important cables, even of purely British companies, do, in point of fact, serve foreign countries. It is not certain, however, that this argument would have quite the same weight in the future as in the past.
- (b) Private companies pay their operators higher wages than those paid to Post Office telegraphists. If many long distance cables were worked by the Post Office, the demands of the telegraph staff that their wages should be as high as those paid by cable companies might be strengthened.
- (c) Cable companies have conducted their services efficiently, and while there have been complaints in regard to rates, there has hitherto been no public demand for Government ownership on the ground that a better service would be provided.
- (d) The Government would be exposed to excessive demands for reductions in rates, which it might have difficulty in resisting.
- (e) In view of the possibility that wireless telegraphy and aerial mail services may, to some extent, supersede cables, it might be risky for the Government to sink a large amount of capital in providing new cables or purchasing old ones. The present war has proved, however, that it would be unwise to rely on wireless

telegraphy to the exclusion of cables; and, in order to safeguard the secrecy of messages and ciphers, and for other reasons, the general rule has been not to use wireless where cable communication is practicable.

(11) *Extension of State ownership.*—In existing circumstances the service between this country and Canada offers the best scope for any extension of the policy of State ownership of long-distance cables. The Eastern and Associated Companies' system is very extensive, and their cables serve many foreign countries as well as British colonies. In contrast to the supremacy of British cables over the wide area served by the Eastern system, it cannot be regarded as satisfactory that the 14 cables between this country and North America, all of which are landed in Canada or Newfoundland, are all—with the single exception of the new Imperial cable—in the hands of American companies. The circumstances are probably not favourable for any extreme measure, such as the buying out of either of the American companies; but it may be well to consider whether steps should be taken to modify the situation—for example, by arranging that any new trans-Atlantic cable that may be found necessary as soon as the war is over, in order to meet the requirements of the service, should be provided by the British Government rather than by an American Company. Or it might perhaps be practicable, either in 1920 or later, to take over the Anglo-Canadian service as a condition of our not competing with the companies for United States traffic, and of continuing to give them facilities for the direct collection and delivery of such traffic in the United Kingdom (or even as a condition of the continued grant of landing rights).

(12) With regard to the Pacific, any new cable that may be required between Canada and Australasia will, no doubt, be provided by the Pacific Cable Board. Perhaps a connection, on suitable terms, between the Commercial Pacific Company's cable to Honolulu, and the Pacific cable at Fanning, might be a part of the general settlement with the Commercial Cable Company, which is associated with the Commercial Pacific Company.

CONTROL OF RATES.

(13) Assuming that the licences for existing cables will be renewed, the question arises whether efforts should be made to secure greater control over rates than that given by the standard "control of rates" clause (copy annexed marked F) which has been inserted in all licences issued for some years past.

(14) *Scheme for Sliding Scale.*—In August 1899 the Eastern and Associated Companies expressed their willingness to negotiate for a general reduction of rates to the British Possessions they serve, on the following basis:—

- (1) A minimum revenue to be fixed for each cable service, and rates to be reduced in accordance with a sliding scale when this minimum was exceeded.
- (2) When the provision of an extra cable was necessitated by increase in traffic, the minimum revenue to be increased sufficiently to cover additional capital charges and cost of maintenance and working of new cable.

In return, the Company asked for certain concessions, the most important of which was that "they should be given a guarantee that they should have landing rights through all British Possessions for any additional cables that they might consider necessary for carrying traffic." The Cables (Landing Rights) Committee took the view that the proposals might afford a basis for discussion, but drew attention to the difficulty of giving the suggested guarantee in regard to landing rights (*see* Committee's Report No. 8, of 15th February 1900.) In February 1901 the Treasury asked Lord Balfour of Burleigh's Committee on Cable Communications to consider the scheme; and in August 1901 that Committee, while commenting favourably on certain aspects of the scheme, expressed the view that no general promise of landing rights should be given, but that "applications for landing rights must, as in the past, be considered on the merits of the particular case." In the meantime, reductions in rates on the principle of a sliding scale had been secured on the services to South Africa, Australia, India, and certain other British Possessions; and it was eventually decided not to proceed further with the Company's scheme. The application of the existing sliding scales has now come to an end through the minimum rates having been reached, except in the case of the services to Australia (where, however, it is anticipated that the minimum rates will be reached very shortly) and Japan.

(15) Although a sliding scale may be a suitable arrangement where there is a reasonable prospect of a continuous increase in traffic, it may become inoperative if a competitive service is established to which part of the traffic is diverted. Further, the arrangement probably tends to prevent any reduction being made in advance of the sliding scale, as a stimulus to traffic, or on any other ground.

(16) Another possible method of controlling rates would be to provide in landing licences that certain reductions in rates must be made before certain increased rates of dividend may be paid. It would, however, be difficult to devise suitable sliding scales of this kind; and further, there would be a danger that companies, instead of increasing their dividends and reducing rates, might dispose of surplus profits in other ways, *e.g.*, by accumulating unnecessarily large reserves, or by laying new cables before they were really necessary.

(17) On the whole, the best arrangement would seem to be to continue the insertion of the "control of rates" clause.

(18) *Reduction of Rates.*—It is, however, a question whether all efforts to secure reduction in rates should be made under the powers given by that clause, or whether the opportunity should be taken of the expiration of landing licences to press the companies to make certain reductions as a condition of the grant of fresh licences. This question was referred to in the final report of the Dominions Royal Commission, and in recent correspondence between the Colonial Office and the Post Office—see annexed extracts marked G. It seems desirable that both means of securing reduction in rates, viz. (1) by negotiations in connection with the issue of new licences, and (2) by action at any time under the Control of Rates Clause—should be at the disposal of the Government, and should be used as occasion may require.

(19) Cable companies have made largely increased profits during the war (in great measure, presumably, absorbed by the Excess Profits Duty) owing principally to (a) the restrictions on the use of code imposed by the Censorship Authorities, and (b) the large increase in the amount of Government and press traffic (see statement of cable companies' receipts and expenditure—Annexe J). The principal reductions effected during the last 10 years in the cable rates to British Possessions are shown in Annexe K. During the war there has been great pressure on the cables (owing partly to the difficulty of repairing faults); and, notwithstanding the increase in profits, the circumstances will not be suitable, so long as the war lasts, for pressing the companies for any immediate reduction in their rates. There seems, however, to be justification for pressing them to make substantial reductions in rates when the war is over, and such a demand might be made as a condition of the renewal of the licences at the end of 1919. It is unnecessary at this stage to discuss rates in detail; but it is considered that the companies might be asked to make alterations equivalent to an all round reduction of 15 or 20 per cent.

GOVERNMENT TELEGRAM RATES.

(20) When arrangements were made to include in landing licences a provision that British Government telegrams should be transmitted at half rates, there was no deferred service at half rates (messages being subject to a delay not exceeding 24 hours), or week-end service at quarter rates (messages being transmitted during the week end). Under the International Convention, Government telegrams must be given priority in transmission; and the Post Office solicitor has advised that, under the existing licences, cable companies could scarcely be required to transmit Government telegrams by the deferred or week-end services at half the rates charged to the public for those services. Such a concession might, however, be obtained if it were made a condition of all new landing licences that Government telegrams sent by the deferred service (at a quarter of the full rates) or by the week-end service (at one-eighth of the full rates) would be subject to the rules of those services—for example, they would have to be in plain language—but they would be given priority over other deferred or week-end messages.

(21) This concession might be valuable if there were many Government telegrams which are not specially urgent and could be sent, without appreciable disadvantage, by the deferred or week-end services. If such telegrams were few in number, it might be preferable to adopt the alternative of asking the cable companies to reduce the rates for Government telegrams from one-half to, say, one-third of the full rates. But it must be remembered that Government messages, besides enjoying reduced rates, also enjoy the privilege of priority.

RISK OF REMOVAL OF CABLES.

(22) The Committee on Cable Communications in their report of the 26th March 1902 expressed the view that it would be "highly inexpedient, both on commercial and on strategic grounds, to burden cable enterprise with restrictions and conditions which will diminish the number of cables landing in this country." This consideration should no doubt be borne in mind in dealing with the questions discussed in this memorandum. It would obviously be unwise to make demands upon cable companies which would drive them either to remove their cables to other countries in Western Europe, or to seek landing rights in other countries rather than in this country for any new cables that may be required. This country is, however, in a specially favourable position for the landing of cables. Not only is its own traffic large, but it is a convenient centre for the exchange of through traffic for and from all parts of the world. In nearly all cases the diversion of cables to any other suitable country would increase their length and cost, and, what is even more important, would substantially reduce their capacity, as the speed of working of a cable varies inversely with the square of its length. Unless, therefore, it were decided to impose very onerous conditions indeed on cable companies, the risk of the diversion of cables to other countries is probably not serious.

(23) A position that might arise is that a Company might persistently refuse to agree to a condition imposed on the renewal of a landing licence, and if no agreement could be reached, the Government would, in the last resort, have to decide whether to withdraw the condition, or to give the Company the option of accepting it or of removing their cables.

ATLANTIC COMPANIES.

(24) *Facilities for Traffic passing over Government Cables.*—The Western Union and Commercial Cable Companies control (either directly or through agreements with other companies) most of the facilities for the collection, transmission and delivery of telegrams in Canada and the United States, and they are thus in a position to penalise any competing trans-Atlantic cable service. These companies should, it is considered, be required, as a condition of the renewal of their licences, to give the following facilities in respect of traffic for or from North America sent over the Government cable:—

- (a) Acceptance at their offices in North America of telegrams routed by the senders for transmission by the Government cable, no charge being made for the route indication;
- (b) Transmission over their lines in North America of telegrams for or from the Government cables at rates not higher than those charged for the land-line transmission of similar telegrams dealt with for allied or subsidiary cable companies;
- (c) General equality of treatment in regard to priority, &c., for telegrams sent over their land lines for or from the Government cable.

The companies will probably object to the grant of these facilities, especially in the case of traffic for or from the United States. In view, however, of the fact that the British Government gives these American companies liberal facilities in this country—*e.g.*, free landing rights; collection, transmission, and delivery of their traffic by the inland system at inland rates instead of convention rates, which might be demanded; and lease of land lines on reasonable terms—there would seem to be justification for demanding reciprocal treatment by the companies in respect of the collection and transmission on reasonable terms of Government cable traffic in North America.

(25) *Facilities for British Telegraph Companies' Traffic.*—Complaints have been made by the Marconi Company that the American Cable Companies refuse to give adequate facilities for the transmission of Marconi traffic in North America; and it might be well to make it a condition of the renewal of the cable licences that the companies should grant such facilities to any British telegraph company which is licensed to carry on a trans-Atlantic service.

(26) *Night and Week-end Letter Services.*—The Commercial Cable Company should be pressed to introduce night and week-end letter services between this country and the whole of Canada and the United States. (See attached extract—marked H—from recent correspondence on the subject between the Colonial Office and the Post Office.)

(27) *Observance of International Regulations.*—The Atlantic Companies should be called upon to agree to the insertion in their licences of a clause requiring them to observe the International Regulations in regard to traffic passing over the licensed cables. The general observance of the regulations should be insisted on, and an exception should only be allowed if the companies can show conclusively that, in view of the conditions under which telegraph work is performed in North America, the application of certain of the regulations to the trans-Atlantic service would be attended with grave difficulties. In any case the complete observance of the regulations should be insisted on in the case of traffic between the United Kingdom and Canada, including traffic exchanged in Canada with the Pacific Cable Board.

(28) *Unordered Traffic.*—Under the land line agreement with the Anglo-American Company, which will expire in January 1920, the Postmaster-General is bound to give that Company all telegrams for North America handed in at Post Offices which have not been ordered by the senders for transmission by another route. When the Anglo-American Company's cables were leased to the Western Union Company for a period of 99 years, it was agreed that this concession should be transferred to the latter company. The total revenue on the unordered traffic in question was estimated in 1911 to be about 50,000*l.* a year, and it is now between 90,000*l.* and 100,000*l.* a year. After 1920 the obligation will cease; and it appears desirable that the Government should keep its hands absolutely free with regard to unordered traffic. Some reasons may be urged in favour of giving an undertaking on this point for a limited period. But experience shows the awkwardness of becoming entangled in such concessions for any considerable number of years; it is impossible to foresee the circumstances of the future; if the Government should decide after the war to lay a direct cable to Canada, this unordered traffic would help to make up a paying load for the two Government Atlantic cables; and, even in the event of concessions being made with regard to messages to foreign countries, they are *primâ facie* particularly undesirable as regards traffic with Canada and the West Indies.

WAIVER OF VETO CLAUSE.

(29) The waiver of veto clause (copy enclosed marked I) should be included in the licence granted to the Eastern Company.

TERM OF LICENCES.

(30) Where a licence is granted for a new cable involving a large capital outlay, the company concerned may reasonably expect to be granted a landing licence for a considerable number of years. But there is not the same need for a long term in the case of the renewal of a landing licence; and it appears to be in the interests of the Government to adopt a comparatively short term—say, five, seven, or at the most ten years—in order that it may have an opportunity from time to time to review the conditions of the cable service. Five years appears somewhat short, while ten years is perhaps unnecessarily long, and on the whole seven appears the most suitable.

(31) It is arguable that the Government might be in a stronger position to impose conditions upon the companies if it dealt with them one at a time, than if it dealt with them all simultaneously; that in the latter case the companies would probably consult one another, and that if they agreed among themselves to resist a proposed condition, it would be difficult for the Government to overcome their opposition, whereas if one company were dealt with at a time, it might hesitate to resist the Government's demands for fear that the renewal of its landing rights might be withheld. On the other hand, there are great advantages in arranging for the licences of all cable companies to expire simultaneously, thus giving an opportunity for a comprehensive review of the Government's cable policy, and the balance of argument appears to be in favour of the latter view. It is, moreover, in accord with the policy which has been adopted on the Committee's recommendation during recent years, and which has led up to the review which is now being undertaken. Occasionally, cases may no doubt arise in which a long period may be justified. In that event, it will probably be convenient that the period of renewal should be fourteen years. Similarly, if a new concession is in question, and if other licences are due to terminate, *e.g.*, in 1926 or 1933, the concession should be so adjusted as to terminate simultaneously with them. (Thus, a concession given in 1924 might run for nine years and be terminable in 1933.)

RIGHT TO PURCHASE CABLES.

(32) In some instances a foreign Government, when granting a concession for a new cable, has inserted a clause in the licence giving the Government the right to purchase the cable on specified terms at the end of the period of the licence. The insertion of such a condition in the licences now in question would, no doubt, be resented by the companies; and it seems doubtful whether any great advantage would be secured. For if, on the expiration of one of these licences, the company concerned were informed that the licence could not be renewed, and that the Government proposed to lay a new cable, but would, if the company so desired, be prepared to negotiate for the purchase of the old one, it seems probable that the cable could be secured on terms as favourable as any that could be inserted in the licences without provoking strong opposition from the companies.

NATIONALITY OF STAFF.

(33) A suggestion that a clause should be inserted in landing licences requiring cable companies to employ only British subjects as operators was considered by the Committee in June 1911, but was not recommended, "as the adoption of this course would tend to encourage the imposition of a corresponding obligation on British companies by Foreign Governments" (*see* Report No. 160). Possibly, however, there may be special cases in which it might be considered expedient to insert a condition that all the directors of the company concerned must be of British nationality.

OTHER PROVISIONS OF LICENCES.

(34) The clause relating to the control of cables in the event of national emergency, and other standard provisions, should be inserted in the new licences. The present practice of charging only a nominal rent—1*l.* a year—for the use of the foreshore for the landing of a cable should not, it is considered, be altered.

FACILITIES GRANTED BY POST OFFICE.

(35) Section 12 of the Telegraph Act, 1869, provides that: "The Postmaster General may, upon the reasonable request in writing of any company or persons constituted for the transmission of telegrams to or from any place out of the United Kingdom of Great Britain and Ireland, make all necessary arrangements for the transmission of such telegrams within the said United Kingdom, and for the connexion with that view of the cables or other apparatus of such companies or persons with the wires or other apparatus of the Postmaster General; and if any question arises as to the reasonableness of such request, or as to the nature or sufficiency of such arrangements, or as to the payments to be made by the company or person requiring the same, in respect of the acts done or services

“ performed by the Postmaster General with respect to the matters aforesaid, every such question shall from time to time be settled by arbitration.” It has been the practice of the Post Office to undertake the collection of cable companies’ traffic at all Post Offices at which telegraph business is conducted, and to undertake the delivery at any place in the United Kingdom of inward telegrams handed over by cable companies. For these services the Post Office charges the ordinary inland telegraph rates, which are lower than the maximum terminal rates specified in the International Convention. It has also been the practice to allow cable companies to establish offices in large cities for the collection and delivery of their traffic, and to lease land lines from the Post Office for the transmission of such traffic. The terminal rates on telegrams dealt with in this way, and not handled by the Post Office, are retained by the companies. Some administrations do not allow cable companies to collect or deliver telegrams, but insist on doing all such work themselves. The arrangements adopted in this country are probably those which give the best facilities to the public; they have been in operation for many years; and, even assuming that the Postmaster General could restrict the facilities given to cable companies without infringing the enactment quoted above, it would scarcely seem advisable to take action in that direction.

COLONIAL LICENCES.

(36) In the case of many of the colonies, the older cables were laid without the issue of any formal landing licence, and some years ago the Associated Companies contended that their rights in connection with these cables were not terminable at the will of the Government. It is recommended that, when those colonial licences which expire at the end of 1919 (*see* list in Annexe E) are renewed, the opportunity should be taken by each Colonial Government concerned to make the new licences cover all the cables landed in the colony. This course was partially adopted, without any objection being raised by the Eastern Telegraph Company, in the case of the recent licence granted by the Malta Government for a second cable to Sicily, which included permission to continue working to the end of 1919 the first cable to Sicily, which had been landed in Malta without any formal licence. Similarly in 1916 the Indian Government issued licences terminable on the 31st December 1919 for most of the cables landed in India, cancelling the previous licences which were of indefinite duration. In connection with the renewal of licences in this country, the Associated Companies might also be asked to accept licences for their hitherto “unlicensed” cables in certain colonies and protectorates (*viz.*, Gambia, Gold Coast, Nigeria, Seychelles, British East Africa, Zanzibar and Labuan) where there are no licences to be renewed next year.

EGYPTIAN LICENCES.

(37) Under an agreement of the 10th January 1884 the Egyptian Government granted the Eastern Telegraph Company a concession for the laying of a cable between Suez and Suakin. The agreement contained a provision that if it should be decided that any new cable connected with Egypt was required, the Company should have a preferential right to the contract or concession in respect of it. It was also provided that the Egyptian Government should have an option of cancelling this and other special provisions on giving 12 months’ notice and paying the Company the estimated cost of the cable—150,000*l.*—with an additional sum for interest not exceeding 50,000*l.* The agreement of 1884 and other agreements with the Eastern Company were modified by an agreement between the Egyptian Government and the Company of the 13th April 1909, which extended the Company’s rights until the 17th November 1968, with a proviso that this extension should not operate “to keep alive such monopoly of landing cables in Egypt or the Sudan as the Company possesses under the agreement of the 10th January 1884 beyond the time at which such monopoly would otherwise have terminated.” The renewal of the landing licences of the Eastern Company which expire at the end of 1919 affords a suitable opportunity for considering whether the Company should be asked to agree that any exclusive or preferential rights conferred by the agreement of the 10th January 1884 should be cancelled.

ANNEXE B.

THE CABLE SYSTEM OF THE WORLD.

1.—BRIEF HISTORICAL OUTLINE.

The cable system of the world is mainly the product of British enterprise. The first successful long-distance cable was laid in 1865, after several costly and disheartening failures, by a British company, with the aid of British engineers and scientists, of whom the most distinguished was afterwards Lord Kelvin. This was a cable between Ireland and America, *via* Newfoundland, and the company which laid it was the Anglo-American Telegraph Company. This Atlantic system remained for some years exclusively in the hands of this and another British company (the Direct United States Company); but, the land systems in North America being owned by United States companies, it was only to be expected that the latter would sooner or later enter into the cable business, and in 1881-2 two Atlantic cables were laid by the larger of these companies (the Western Union); and in 1884 their rivals, the Commercial Cable Company, entered the field. The relations of these various companies, and the subsequent history of trans-Atlantic communication will be referred to later.

In 1868-9 a successful start was made in providing communication with Egypt, India, Australasia, and the Far East by seven British companies, which were afterwards merged in the Eastern and Eastern Extension Companies. These, with various other affiliated undertakings, are commonly known as the Associated Companies; and they own, together, by far the largest cable system of the world.

The West Indies were connected with the land-lines of the United States, and through them with the Atlantic systems in 1870—again by a British company; and it was another British company (afterwards affiliated to the Eastern group) which provided communication with South America in 1874. South Africa was connected with the Eastern systems in 1879, and West Africa in 1886.

The State-owned British Pacific cable was laid in 1902 between Vancouver in Canada and New Zealand and Australia *via* Fanning Island and Fiji.

A French company laid a cable from France to New York, *via* St. Pierre, in 1879; but it was not until some years later that the French seriously set about the provision of cable communication when they laid cables between Hayti and Venezuela and between Hayti and the French West Indies, and thence to French and Dutch Guiana, and Northern Brazil. This system was afterwards connected with New York by means of a cable owned by an affiliated company. Later they duplicated their trans-Atlantic line; provided, *inter alia*, direct communication between France and French West Africa, and acquired a cable which had been laid by a British company between French West Africa and Brazil.

The Germans, though later in the field, have been more serious competitors with British cable enterprise than the French. At first working in conjunction with the Anglo-American and Eastern Companies by means of short connecting cables, they laid two independent cables from Germany to the United States, *via* the Azores, in 1900 and 1903-4. These were quickly followed by cables from Germany to German West Africa *via* Teneriffe and Monrovia, and by a cable between Monrovia and Brazil. Meanwhile a joint German-Dutch company had been formed, mainly under German control, which laid certain cables between the Dutch East Indies and the German Possessions in the Pacific, connected on the one hand with China and Japan, and on the other hand with a trans-Pacific cable between the United States and Guam, which had been laid in 1902-3 by an affiliation of the (American) Commercial Cable Company. It is worthy of note that in the latest of these enterprises, undertaken about 1910, they had some degree of French support. For example, the French at this time held exclusive rights of cable communication between West Africa and Brazil, and it was only because these French rights were waived in their favour that the Germans were able to lay their cable between Monrovia and Brazil. The fate of the German cable system since the outbreak of war will be described later.

Two other telegraph undertakings may be briefly mentioned: (1) the Indo-European Telegraph Company, which was formed in 1865 to provide a route to India by cable across the North Sea, by land line through Germany, Russia, and Persia, and thence by Indian Government cables through the Persian Gulf; and (2) the Great Northern Telegraph Company, a Danish enterprise, which laid cables from Great Britain to the Scandinavian countries and thence to Russia in 1868-9, and which later provided a route (alternative to that of the Eastern and Eastern Extension Companies) to the Far East by means of land lines across Russia.

2.—THE PRINCIPAL CABLE ROUTES AS THEY EXIST TO-DAY.

(a) *Eastern and Associated Companies.*

These companies have seven cables starting from Great Britain. Of these two land in Spain, two in Portugal, one at Gibraltar, one at Madeira, and one at the Azores.

The Iberian group are extended through the Mediterranean *via* Malta, to Egypt, and thence down the Red Sea to Aden. There they separate, one route running to East and South Africa, and the other to India, Ceylon and Singapore. At Singapore the line again forks, one branch going *via* the Dutch East Indies to Australia and New Zealand, and the other to China and Japan.

The cable to Madeira forms the first link in a second chain to South Africa which runs *via* St. Vincent, Ascension and St. Helena, with branches to the West African colonies. From South Africa it is extended across the Indian Ocean so as to form a second route to Australasia.

The cable to the Azores is extended to St. Vincent, and thence on the one hand to Brazil, and on the other hand to the Argentine, *via* Ascension, thus forming the principal means of communication with the countries of South America.

These cables constitute the backbone system of the Associated Companies. A number of lines branch out from the main system, connecting it, *e.g.*, with France, Italy, Greece and the Levant, and formerly with Austria and Turkey. It was also formerly connected with Germany by means of a German-owned cable between Emden and Vigo.

(b) *Atlantic Cables.*

The Atlantic companies own 13 cables between Great Britain and North America. Of these, 10 land in the south-west of Ireland being extended thence to Great Britain either by cables owned by the companies, or by lines (partly over-land and partly submarine) leased from the Post Office. The remaining three land in Cornwall. Most of these 13 cables touch at Newfoundland, the advantage of such an intermediate landing-place being that the span of the cable is thereby shortened, and its capacity increased. Those which do not touch Newfoundland land in Canada—the result being that the western ends of all of them are on British territory.

Of these cables, six belong to British companies, but are leased by the Western Union Company of the United States, which leases two more from an American company, thus controlling eight out of the 13. The Commercial Cable Company of the United States owns the remaining five. The result is that the whole of the trans-Atlantic cable system between the United Kingdom and North America, with the exception mentioned below, is now controlled by American companies. This result has been largely brought about by the difficulties experienced by the British companies in obtaining access on equal conditions to the land line systems of North America, owned or controlled by the companies which now control the cables.

In addition to the above 13 cables starting from the United Kingdom, there are two cables between France and the United States, one direct and the other *via* St. Pierre; and before the war there were two cables from Germany to the Azores, and thence to New York. Of the latter, one has been diverted on this side of the Atlantic to Penzance, and on the other side to Halifax, Nova Scotia, so as to form a British Government cable between England and Canada. It has been used, since its diversion, for Government traffic with Canada, and for Government and other traffic with Australasia *via* the Canadian land lines and the Pacific cable. Like some of the other Atlantic cables, it is interrupted at the moment, but is expected to be repaired shortly. The second German Atlantic cable has been allocated to France and is intended to be used as a line between Brest and New York.

The Atlantic cables, besides forming a link with Australasia, serve for communication with the West Indies. They connect, through the medium of the United States land lines and cables from Florida to Jamaica, *via* Cuba, with the systems of the (British) West India and Panama Company. They also connect, at Halifax, with the cables of the Halifax and Bermudas and Direct West India Companies—two affiliated British companies which provide an all-British route to Jamaica, where it joins the Panama Company's system; and they connect, at New York, with the French Telegraph Company's lines to the French West Indies, Venezuela, &c.

In addition, the Atlantic cables form part of a route (alternative to that of the Eastern and Associated Companies) to South America, connecting, through the United States land lines, with a system of cables to Mexico and Central America, and thence down the West Coast of South America.

(c) Other Principal Cables.

The British Pacific cable, owned jointly by Great Britain, Canada, Australia, and New Zealand, and running from Vancouver to New Zealand and Australia, *via* Fanning and Fiji, has already been mentioned.

Another main route across the Pacific is that of the (American) Commercial Pacific Company, which runs from San Francisco to Honolulu, and thence *via* the islands of Midway and Guam to the Philippines, with connections to China and Japan.

A cable between Guam and the former German possession of Yap connected this route before the war with the German-Dutch Company's system, which extended from Yap to the Dutch East Indies on the one hand and to Shanghai on the other. The Yap-Shanghai cable is understood to have been diverted from Shanghai to Japan by the Japanese, who now occupy Yap.

As already mentioned, the Germans had laid, shortly before the war, a cable between Emden and Pernambuco (Brazil), *via* Teneriffe and Monrovia with a connecting line to German West Africa. The greater part of these cables has, with the consent of Great Britain, now been appropriated by the French Government, who have diverted the Emden-Teneriffe-Monrovia sections in such a way as to form a cable between Brest and Dakar (Senegal) *via* Casablanca (Morocco). They already possessed a line between Dakar and Monrovia, and they are thus enabled to use the Monrovia-Pernambuco cable *in situ*; the whole system thus duplicating the cables which they already owned between Brest, Dakar and Pernambuco.

3.—ATTITUDE OF BRITISH GOVERNMENT TOWARDS CABLE COMPANIES.

Such control as the British Government possesses over the cable companies arises mainly in two ways:—(1) through their having to secure the licence of the Board of Trade for the landing of cables on the foreshore of the United Kingdom; and (2) through their having to make arrangements with the Post Office for the collection and delivery of telegrams in the United Kingdom. Of course, in the few cases where a subsidy is given, direct control can be exercised as a condition of the subsidy. With the exception of a subsidy granted to the West India and Panama Company in 1914, in return for a reduction of rates, the cable subsidies granted by the British Government have in all cases been in respect of cables required for strategic purposes.

It was early recognised as desirable that the cables connecting the United Kingdom with the nearest continental countries should be in the hands of State; but for several years the control exercised over the long-distance cables remained more or less perfunctory. It was not, indeed, until 1898 that any systematic attempt was made to formulate a consistent policy in regard to cables. In that year a difference of opinion arose between the Board of Trade, the Foreign Office and the Post Office, on the one hand, and the Colonial Office on the other, respecting a point of cable policy which, curiously enough, was indirectly concerned with the German scheme for trans-Atlantic communication *via* the Azores. In order to advise on this and any similar question which might arise from time to time, a Standing Committee was appointed under the presidency of the Board of Trade, consisting of representatives of the four departments mentioned, and of the Treasury, Admiralty, War Office, and India Office. The instructions to the Committee were as follows:—

“To consider and report upon applications from time to time received by His Majesty's Government for permission to land electric cables or to establish telegraph stations on the coast of the United Kingdom, or of British Possessions or British Protectorates or for the renewal of existing concessions.”

Later the Committee was recognised as a convenient body for the consideration of certain questions respecting the use of wireless telegraphy; and its terms of reference were extended so as to enable it “to consider and report upon all other questions relating to ordinary or wireless telegraphy which may be referred to it.”

Since its appointment the Committee has aimed at systematising the cable licensing arrangements, not only in the United Kingdom, but throughout the Empire. Through its efforts very considerable concessions in favour of the public have been obtained from the companies, and it is largely due to its recommendations that a comprehensive survey of the whole cable position has now become practicable, with the possibility of effective action when desired.

Before, however, the Committee had had time to develop a consistent policy, a considerable public agitation sprang up concerning the so-called cable monopoly, and its alleged disregard of the interests of the commercial community. As a consequence, an inter-departmental committee was appointed in 1900, under the presidency of Lord Balfour of Burleigh, whose terms of reference were as follows:—

“To inquire into the present system of telegraphic communication between different parts of the Empire, and to consider in what respects it requires to be supplemented. To investigate the relations between private cable companies and the Imperial and Colonial Governments (including the Government of India), the amount of control at present exercised by these Governments, and the policy which should be pursued by them in future, especially when new concessions are sought. To examine existing rates, to report how far they are fair and reasonable, and, if not, how any reduction should be effected.”

The report of the Committee was, on the whole, a vindication of the cable companies. Two new cables only were suggested, and those of comparatively small importance; the existing rates, with one exception, were regarded as not excessive; the policy of “free trade in cables,” which had characterised Great Britain and her dependencies in the past, was recommended as the normal policy for the future; and the Committee was strongly opposed to the general purchase of cables by the State. In one direction only did the Committee suggest any material departure from existing arrangements, viz.: in the introduction under certain conditions of a deferred service at reduced rates—a kind of service which had hitherto not been favoured either by the companies or by the Post Office. It may be added in this connection that it was not until 1912 that such a service was introduced. It was then proved how ill-founded were the apprehensions of the companies. A large deferred traffic was attracted to the cables with but little decrease in the fully-paid traffic; and so satisfied have the companies been with the result that the Eastern and Associated and Western Union groups have since introduced a “week-end” telegram service at quarter-rates.

Since the report of Lord Balfour's Committee other bodies—notably the Imperial Conferences and the Dominions Royal Commission—have devoted some amount of consideration to various aspects of the cable question, but there has been no general survey. The principal questions which they have raised have been (1) that of a State-owned cable across the Atlantic, and (2) that of the reduction of rates, mainly from the point of view of communication with Canada, and with Australasia *via* Canada and the Pacific Cable. These questions are discussed in the present report of the Cables (Landing Rights) Committee.

ANNEXE C.

POLICY OF FOREIGN GOVERNMENTS RESPECTING CABLES.

In granting cable concessions, Foreign Governments in most cases insist on compliance with the Regulations of the International Telegraph Convention, and require that Government telegrams shall be sent at reduced (generally) half rates; and reserve power to suspend or control the use of the cables in time of emergency *without compensation*. But in other respects the conditions and privileges attached to such concessions in different countries vary considerably, as will be seen from the following particulars concerning some of the more important cables:—

Argentine.—The Western Telegraph Company have landing rights (exclusive until 1934) for a cable from Buenos Ayres to Ascension, with leave to lay a second cable when necessary. The Company is entitled to receive all unordered traffic for Europe, America and Africa, whether originating in or passing through the Argentine. The Company is also promised preferential rights until 1934 for any cable which the Government may wish to be laid to any other country.

Brazil.—The Western Telegraph Company have landing rights (1) for cables between certain specified points on the coast of Brazil (exclusive until 1933); (2) for cables from Brazil to Uruguay and the Argentine (exclusive until 1913), and (3) for cables to Europe *via* St. Vincent and Madeira (exclusive until 1892). In all three cases the rates originally fixed were to be approved by Government, and when reduced were not to be raised without consent of Government; and in the last case provision is made for a sliding scale of rates.

Landing rights have been granted (1) to a French company, subsequently acquired by the French Government, for a cable to West Africa (exclusive until 1916), and (2) to another French company for a cable to the United States, *via* French Guiana, the West Indies and Hayti (exclusive until 1925). In the former case the exclusive privilege was, as stated in Annexe B, abandoned in 1910 in favour of a German cable from Brazil to West Africa; and in the later case the United States Government refused landing rights to the French company for the final link between Hayti and New York, in consequence of the exclusive privilege given at the Brazil end, but subsequently gave landing rights at New York to an American company (which is in close alliance with the French company) for a cable to Hayti. In both cases the Brazilian terms included a sliding scale of rates.

The German company's landing rights for the cable to West Africa provided that the rates originally fixed were to be approved by Government, and when reduced were not to be raised without consent of Government.

China.—The Great Northern and Eastern Extension Telegraph Companies jointly have exclusive landing rights in China until 1930. A Joint Purse Agreement was made by these companies with the Chinese Government in 1896, under which the rates by different routes were to be equalised and the Government and the two companies were to share the receipts. This Joint Purse arrangement was somewhat modified in 1904, when, with the consent of the two companies, the Commercial Pacific Cable Company was allowed to lay a cable from the Philippine Islands to Shanghai, and the German Netherlands Telegraph Company was allowed to lay a cable from Yap to Shanghai.

Denmark.—The Great Northern Company have landing rights (exclusive until 1925) for cables connecting Denmark with England, Norway, Sweden, France and Russia, the Government reserving the right to fix the maximum rates. They also have similar landing rights in Iceland for a cable to the Shetlands.

France.—The French Government now owns cables connecting France with Algeria and Tunis, and its possessions in West Africa; also the cables connecting the French West African possessions with one another, the cable between French West Africa and Brazil, and the cables between Mozambique and Madagascar, and between Madagascar and Mauritius (except that part of the cable lying within the territorial waters of Mauritius), and the cable between Saigon and Haiphong.

The Government gave financial assistance to the French Cable Company for the maintenance of its cable to America *via* St. Pierre, and towards the laying of a second (direct) cable to the United States.

Germany.—The German Government made a sort of partnership arrangement with the German Atlantic Telegraph Company for the laying and working of the two cables between Emden and New York which were laid in 1900 and 1903–4. The Government was to pay the Company a substantial annual subsidy for 40 years, and to receive in return the annual revenue from telegram charges between Germany and North America, up to a fixed maximum, with a modified payment when the revenue exceeds that maximum. The German American Telegraph Company was also to take over the working of the cable from Emden to Vigo, previously worked by another company.

The German and Netherlands Governments made a similar partnership arrangement with the German Netherland Company for 40 years from 1901 for the laying and working of cables connecting Borneo and Celebes with Yap, Guam and Shanghai.

Japan.—In Japan the Great Northern Telegraph Company have certain exclusive rights, in connection with which a sliding scale agreement has been made which regulates the rates between Japan and Europe.

Portugal.—The Eastern and Western Telegraph Companies had for many years exclusive landing rights in Portugal and Portuguese possessions, which expire in 1918 and 1920 respectively. The Government charge a royalty of 5 centimes a word for all traffic passing through the cable stations in the Azores and Madeira.

United States.—Landing concessions include, *inter alia*, conditions that the Company shall not hold exclusive landing rights from any other Government, and that the rates charged shall be reasonable. In the case of the Commercial Pacific Cable Company's cable *viâ* Honolulu and Guam to the Philippines, and thence to Shanghai, there is the further stipulation that the Government shall at all times have the right to purchase the cables, &c., of the Company at a value to be fixed by arbitration.

Venezuela.—The French Company, which holds the concessions for a cable from Brazil to Hayti (*viâ* French Guiana, &c.) also holds a concession granted by the Venezuela Government in 1895 for a cable to Hayti, to proceed thence to New York. This concession, as revised in 1909, contains provisions for reduction of rates and continues to the Company the exclusive landing rights originally granted for cables to any other country, but makes these exclusive rights terminate in 1929, instead of 1945. As stated above (under *Brazil*), the United States Government refused to allow this Company to land a cable to New York, owing to its having exclusive privileges from another Government, but allowed a cable to Hayti to be landed at New York by an American company instead.

ANNEXE D.

DATES OF TERMINATION OF LICENCES FOR CABLES LANDED IN THE UNITED KINGDOM.

Company.	Date of termination of licence issued (or promised) to Company.
Eastern Telegraph Company	31st December 1919.
Direct Spanish Company	31st December 1919.
Western Union Company	January 1920.
Anglo-American Company (cables leased to Western Union Company)	January 1920.
Direct United States Company (cable leased to Western Union Company)	31st March 1920.
Commercial Cable Company	January 1920.
French Cable Company	January 1920.
Great Northern Company	31st December 1924.

ANNEXE E.

LICENCES FOR LANDING OF CABLES IN BRITISH POSSESSIONS. LIST OF LICENCES WHICH EXPIRE AT END OF 1919.

(A) To Eastern Telegraph Company in respect of the Porthcurno—St. Vincent—Ascension—St. Helena—Cape Colony Cable (1900) with branch cable from Ascension to Sierra Leone.

- (i) *Cape* Government Licence, dated 1899.
- (ii) *St. Helena* Government Licence, dated 19 February 1902.
- (iii) *Ascension* Licences (granted by Admiralty), dated 22 September 1902.
- (iv) *Sierra Leone* Government Licence, dated 14 February 1902.

(B) To Eastern Telegraph Company and Eastern Extension Telegraph Company in respect of the Durban—Mauritius—Rodriguez—Cocos—Perth Cable (1901).

- (v) *Natal* Government Licence, dated 13 May 1901.
- (vi) *Mauritius* Government Licences (for Mauritius and Rodriguez), dated 28 February 1902.
- (vii) *Straits Settlements* Government Licences (for Cocos), dated 20 February 1902.

(C) To Eastern Extension Telegraph Company in respect of Cocos—Java Cable (1907).

- (viii) *Straits Settlements* Government Licence, dated 4 December 1907.

(D) To Eastern Telegraph Company in respect of Cyprus—Alexandria Cable (1878).

- (ix) *Cyprus* Government Licence, dated 7 March 1910.

(E) To Eastern Telegraph Company and Eastern Extension Telegraph Company in respect of additional cable from Gibraltar to Hong Kong (1912-3).

- (x) *Gibraltar* Government Licence, dated 15 May 1912.
- (xi) *Malta* Government Licences, dated 15 May 1912.
- (xii) *Ceylon* Government Licences, dated 1 December 1913.
- (xiii) *Straits Settlements* Government Licences (for Penang), dated 12 June 1913.
Straits Settlements Government Licences (for Singapore), dated 12 June 1913.
- (xiv) *Hong Kong* Government Licence, dated 8 August 1913.

(F) To Eastern Telegraph Company and Eastern and South African Telegraph Company in respect of cables in Red Sea and to India and East Africa.

- (xv) *Aden* Licence (for 10 cables), dated 29 December 1915.
- (xv) *Aden* Licence (for cable to Zanzibar), dated 4 August 1916.
- (xvi) *Perim* Licence (for 9 cables), dated 4 August 1916.
- (xvii) *India* Licence (for 3 cables at Bombay), dated 4 August 1916.

(G) To Eastern Telegraph Company in respect of *Second Cable* from Malta to Pozzalo.

- (xviii) *Malta* Government Licence, dated 11 September 1917.

ANNEXE F.

CONTROL OF RATES CLAUSE.

(1) The Company will from time to time furnish to the Postmaster-General at his request all such information as to their rates of charge for telegrams, the extent and condition of their business, and their income and expenditure and their financial position as the Postmaster-General may from time to time require.

(2) The Postmaster-General may, at any time by notice in writing delivered to the Company, object to the rates of charge of the Company or any of them on the ground that they are not just and reasonable in the interests of the public whether in the United Kingdom or abroad.

(3) If when any such objection has been made the Postmaster-General and the Company are unable to agree as to the rates of charge which are the subject of the objection, the difference shall stand referred to the Railway and Canal Commission, which shall have power to fix such rates of charge as they may think fit, but the commission shall fix the rates only after giving due and full consideration to the cost of maintenance, operation, and renewals of the cables, together with the capitalisation and financial obligations of the Company.

(4) The Company may at any time after an interval of 12 calendar months from the determination of such difference by the Railway and Canal Commission by notice in writing delivered to the Postmaster-General, object to the rates of charge so fixed, or any of them, on the ground that they are unremunerative to the Company and that a higher rate or rates would be just and reasonable (due regard being had to the interests of the public).

(5) If when any such objection as last aforesaid has been made the Postmaster-General and the Company are unable to agree as aforesaid, the difference shall stand referred to the Railway and Canal Commission with the like consequences as aforesaid.

(6) The provisions of the Telegraph (Arbitration) Act, 1909, shall apply to the determination of any such difference as is referred to in this clause.

ANNEXE G.

CONTROL OF RATES.

Extract from Final Report of Dominions Royal Commission of 21st February 1917.

616. It is sometimes contended that the necessity imposed on the cable companies of obtaining and renewing periodically landing licences from Your Majesty's Government will lead to an adequate reduction of rates. In our judgment the control is not effective and does not justify the hope that it will lead in the future to an adequate cheapening of the services. It was stated to us in evidence by the representative of the General Post Office of the United Kingdom that the power conferred by landing licences must be used very sparingly and with greatest discretion. The Post Office appears to be guided by a recommendation of a departmental committee which sat in 1902, to the effect that the power must be used mainly to meet unreasonable proposals from the cable companies or unreasonable rates. It is also pertinent to remark that the Commercial Cable Company wrote to us saying that the demand for further reductions of rates was confiscatory and destructive, and one which it could not entertain.

Extract from Post Office Letter to Colonial Office of 14th April 1917.

The Commission raise the question in paragraph 616 whether pressure could and should be brought to bear on cable companies to compel them to reduce their rates when they apply periodically for renewal of their landing licences.

The Postmaster-General is of opinion that it would not be right to demand reductions of rates on such occasions as a matter of course, irrespective of whether the existing rates were reasonable or not. It is the practice to refer all applications for the grant or renewal of landing licences to the Cables (Landing Rights) Committee, which recommends on what conditions a new licence should be issued. In some instances the opportunity has been taken to ask a cable company to reduce certain rates, and in all cases during recent years the Committee has recommended that the "Control of Rates" clause should be inserted in the new licences.

The Postmaster-General agrees that cases may arise in which a specific reduction in rates should be made a condition of the grant of a new licence, but, as a general rule, he considers that such demands should be made under the "Control of Rates" clause, which has been specially introduced for the purpose. He proposes, however, to take the opportunity in connection with the next application received for a new licence, to draw the attention of the Cables (Landing Rights) Committee to the Commission's observations on the subject.

ANNEXE H.

NIGHT AND WEEK-END LETTER SERVICES.

Extract from letter from Post Office to Colonial Office of 14th April 1917.

The Dominions Royal Commission recommend in paragraph 124 (1) that the Commercial Cable Company should be called upon to introduce night and week-end letter services between the United Kingdom and Canada "as soon as the usual 'Control of Rates' clause has been imposed upon the Company as a condition of the "impending renewal of their Landing Licence."

The Company have objected to the insertion of this clause; and the Cables (Landing Rights) Committee in their Report No. 218 of the 1st November last have recommended that the insertion of the clause should be insisted on, but that further communication with the Company on the subject should be deferred until it is known what course the proposed negotiations in regard to the lease by the Pacific Cable Board of a line between Halifax and Montreal will take.

Under the terms of the "Control of Rates" clause, a copy of which is enclosed, it would be necessary that the Postmaster-General should be able to show that the existing rates are not "just and reasonable," and to establish this contention if the case were referred to the Railway and Canal Commission. It seems doubtful whether it would be advisable that the first case to be taken before the Commission under the "Control of Rates" clause should be one concerning the cheapest classes of cable traffic, which are probably only remunerative in the sense that the additional revenue which they produce is earned without an equal increase of expenditure.

Moreover, so long as facilities for night and week-end telegrams are available by the Western Union route, it is of minor importance to the public whether they are also offered by the competing company.

Extract from letter from Colonial Office to Post Office of 13th July 1917.

(3) As regards the suggested extension of night and week-end letter services, the Secretary of State thinks that there is little doubt that senders of these classes of messages find it inconvenient to have the facilities in question available by one of the companies only, as is substantially the case at present. Looking at the matter from the Dominions point of view, he cannot agree with the Postmaster-General that the point is one of minor importance to the public, and he hopes that Mr. Illingworth will press for the introduction of the low rates in question on the Commercial Cable Company's lines as soon as the war is over. Mr. Long notes that the Postmaster-General is doubtful whether the first case to be brought before the Railway and Canal Commission should be one concerning the cheapest classes of cable traffic. If, however, the night and week-end letter rates are remunerative in the sense that the additional revenue which they produce is earned without an equal increase of expenditure, and if, as is understood to be the case, the Western Union Cable Company is working them with success, it should not be difficult to prove that the rates in question are just and reasonable, and it would certainly appear suitable to bring up the question of their extension before the Commission.

Extract from letter from Post Office to Colonial Office of 24th August 1917.

With regard to paragraph 3 of your letter, the Postmaster-General notes that, in the Secretary of State's opinion, it would be desirable, as soon as the war is over, to press the Commercial Cable Company to introduce night and week-end letter services between this country and Canada, and, in the event of their refusal, to refer the case to the Railway and Canal Commission. The Postmaster-General is still of the opinion expressed in the letter from this Office of the 14th April, namely, that it would be expedient to wait until experience has been obtained of the trans-Atlantic traffic after the war before taking any action in the matter, and that, even in the event of the Company's refusal, it is doubtful whether it would be advisable that the first case to be taken before the Railway and Canal Commission under the "Control of Rates" clause should be one concerning the cheapest classes of cable traffic. He agrees, however, that the question should be reconsidered at the end of the war.

ANNEXE I.

WAIVER OF VETO CLAUSE.

(1) The Company will not at any time hereafter in pursuance or by virtue of any right which they may have or acquire under any agreement or agreements (hereinafter referred to as a "joint purse agreement" or "joint purse agreements") already subsisting or hereafter to be made or entered into by them or by any person or persons or body or bodies controlling them by ownership of their capital or otherwise, with any other cable or telegraph company or companies or any person or persons body or bodies so controlling them as aforesaid, or with any administration or administrations (any or all of which other cable or telegraph companies controlling persons or bodies or administrations are intended to be hereinafter included in the expressions "an associated company" or "associated companies") directly or indirectly object to or oppose any actual or projected reductions by any of the associated companies in the rates of charge for telegrams originating in the United Kingdom and destined for countries or places outside the Continent of Europe or originating in such countries or places as last aforesaid and destined for the United Kingdom.

(2) In the event of any such reductions being made by any of the associated companies the Company shall accept the reduced rates as the basis of accounting under the joint-purse agreements if the associated companies making such reductions shall be willing to grant to the Company the right to make similar reductions in the Company's rates of charge for telegrams transmitted between the same places and the right to account to the associated companies in respect of such telegrams accordingly.

(3) If at any time hereafter the British Government upon granting any fresh licence or extension of a licence to an associated company engaged in the transmission of such telegrams as last aforesaid to land cables upon British territory, shall not procure the consent of such associated company to either (a) a condition or conditions to the same or similar effect (*mutatis mutandis*) as this clause or sub-clauses (1) and (2) hereof, or (b) a condition or conditions to the same or similar effect (*mutatis mutandis*) as the last preceding clause or sub-clauses (2), (3), or (6) thereof, then and in such case the Company shall thenceforth cease to be bound by this clause.

ANNEXE J.

CABLE COMPANIES' RECEIPTS AND EXPENDITURE.

Company.	Gross Receipts.				Working Expenditure.				Net Receipts.			
	1913.	1914.	1915.	1916.	1913.	1914.	1915.	1916.	1913.	1914.	1915.	1916.
	£	£	£	£	£	£	£	£	£	£	£	£
Direct Spanish - - - - -	36,958	55,018	75,573	82,500	19,214	20,594	24,169	27,049	17,744	34,423	51,404	55,451
Eastern - - - - -	1,462,844	1,646,741	2,104,432	2,519,283	685,218	786,449	858,498	1,059,943	777,626	860,293	1,245,934	1,459,340
Eastern Extension - - - - -	738,129	819,583	950,030	1,221,497	354,864	364,979	386,672	430,244	383,265	454,604	563,358	791,253
Great Northern - - - - -	575,601	682,309	881,864	991,890	229,470	250,590	287,461	450,993	346,131	431,719	594,403	540,897
Indo-European - - - - -	172,532	189,384	204,190	162,274	91,441	88,395	82,218	75,329	81,091	100,988	121,972	86,945
*Western - - - - -	889,710	830,056	983,263	982,248	360,738	389,943	338,893	362,295	528,972	440,113	644,370	619,953

* NOTE.—In the case of the Western Telegraph Company the figures relate to the 12 months ended the 30th June in each year.

The net receipts (*i.e.*, gross receipts less working expenditure) of the *Western Union Telegraph Company* (including their own inland telegraph business in the United States and Canada) were as follows :—

	Dollars.											
1913	-	-	-	-	-	-	-	-	-	-	-	3,456,000
1914	-	-	-	-	-	-	-	-	-	-	-	5,686,000
1915	-	-	-	-	-	-	-	-	-	-	-	10,199,000
1916	-	-	-	-	-	-	-	-	-	-	-	13,589,000

No reports of the *Commercial Cable Company* have been received or observed in the Press.

ANNEXE K.

CABLE RATES TO BRITISH POSSESSIONS.

Principal Reductions during the last Ten Years.

Deferred Service.—In 1912 a deferred service was introduced to practically all parts of the British Empire. (This has since been extended to practically all parts of the world outside Europe.) Under this service telegrams in plain language are accepted at half ordinary rates on condition that they may, if necessary, be deferred during transmission for not more than 24 hours in favour of full-rate traffic.

Night and Week-end Letter Telegram Services.—These services were introduced in 1912 to Canada and Newfoundland by the Western Union Company's route only; and week-end letter telegram services to Australasia, India, and South Africa were introduced in 1913. Night letter telegrams are accepted at about quarter rates, with a minimum of 13 words, on condition that they will not be delivered until the following day. Week-end letter telegrams are accepted at quarter rates, with a minimum of 20 words (except for North American traffic, for which there is a specially low initial rate with a minimum of 25 words—see attached statement) on condition that they must be handed in before Saturday night and will not be delivered before the following Monday. (These services are temporarily suspended during the war except to a few places.)

Ordinary Rates.—The following are the principal reductions made since 1907 :—

India.—From 2s. to 1s. 8d. a word in May 1914.

British West African Colonies.—Rates ranging from 3s. 6d. to 5s. a word were reduced by 8d. in some cases and 4d. in others in January 1912. Further reductions of 2d., 6d., and 10d. were made on the 1st August 1917 and the principal rates are now—Bathurst and Sierra Leone, 3s.; Accra, Lagos, and Bonny, 3s. 6d.

West Indies.—Rates ranging from 3s. to 5s. 1d. a word were reduced to 2s. 6d. a word in August 1914.

New Zealand.—From 3s. to 2s. 8d. a word in April 1915.

Hong Kong.—From 4s. 5d. to 3s. 6d. in September 1913.

Straits Settlements.—From 3s. 6d. to 2s. 10d. in September 1913.

Press Rates.—Substantial reductions have been made in the Press rates to all parts of the Empire. The extent of the reductions during the last 10 years to the principal British possessions is shown below :—

Australia and New Zealand.—From 1s. to 7½d. A deferred Press rate of 4½d. has also been introduced by the Pacific Cable route only.

Canada and Newfoundland.—From 5d. to 3½d. (by Western Union Company's route only). A deferred Press rate of 2½d. has also been introduced by both the Western Union and Commercial Companies' routes.

India.—From 1s. to 4d.

South Africa.—From 1s. 0½d. to 3½d.

The following table shows the rates to Australia, Canada, India, New Zealand, South Africa, East Africa, West Africa, and the West Indies in 1908 and 1918 respectively :—

CABLE RATES IN 1908 AND 1918.

Place.	1908.		1918.					
	Ordin- ary.	Press.	Ordin- ary.	De- ferred.	Night Letter.	Week-end.	Press.	Deferred Press.
Australia	s. d. 3 0	s. d. 1 0	s. d. 3 0	s. d. 1 6	s. d. —	s. d. 0 9 (with minimum of 20 words).	s. d. 0 7½	s. d. 0 4½ (P.C.B. only).
Canada	1 0	0 5	1 0	0 8 4½ for 13 words and 2½d. a word after.	3 0 for 25 words and 2½d. a word after.	4 6 for 25 words and 2½d. a word after.	0 3½ (Western Union only).	0 2½
India	2 0	1 0	1 8	0 10	—	0 5 (with minimum of 20 words).	0 4	—
New Zealand . . .	3 0	1 0	2 8	1 4	—	0 8 (with minimum of 20 words).	0 7½	0 4½ (P.C.B. only).
South Africa . . .	2 6	1 0½	2 6	1 3	—	0 7½ (with minimum of 20 words).	0 3½	—
British East Africa .	2 6	1 0	2 6	1 3	—	—	0 4	—
British West Africa .	3 6 to 5 0	—	3 0 and 3 6	1 6 and 1 9	—	—	0 11 to 1 4	—
British West Indies .	3 0 to 5 1	—	2 6	—	—	—	1 0½	—